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2  
3 UNITED STATES DISTRICT COURT  
SOUTHERN DISTRICT OF NEW YORK

4 -----x  
5 JOHN L. EDMONDS, et al.,  
6 Plaintiff,

7 Case No.  
- against - 08-CV-5648 (HB)

8 ROBERT W. SEAVEY, et al.,  
9 Defendants.  
10 -----x

11  
12 April 22, 2009  
13 10:15 a.m.  
14  
15

16 DEPOSITION of ADAM M. PRYCE, taken by  
17 the Parties, pursuant to Subpoena, held at the  
18 offices of Herrick, Feinstein, LLP, 2 Park  
19 Avenue, New York, New York 10016, before Donna  
20 A. Metz, a Registered Professional Reporter  
21 and Notary Public in and for the State of  
22 New York.  
23  
24  
25

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## APPEARANCES:

M. DOUGLAS HAYWOOD, ESQ.  
Attorney for Plaintiff  
71 Maple Street  
Kings Chancellery  
Brooklyn, New York 11225-5001

HERRICK FENSTERMAKER LLP  
Attorneys for Defendants Robert W.  
Seavey, Phyllis M. Seavey, Avery B.  
Seavey, Nease S. Seavey, Ronald Dowdy,  
Dalton Management Company, LLC and  
The Seavey Organization  
2 Park Avenue  
New York, New York 10016  
By: M. DARREN TRAUB, ESQ.,  
of Counsel  
(File No. 0965-004)

WILSON ELSEN MOSKOWITZ  
EDELMAN & DICKER LLP  
Attorneys for Defendant Marks  
Parish & Shon  
1 Gannett Drive  
White Plains, New York 10604-1402

By: WILLIAM J. KELLY, ESQ.,  
of Counsel  
(File No. 01439-00148)

## ALSO PRESENT:

JOHN L. EDMONDS  
PHYLLIS M. SEAVEY

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5

## STIPULATIONS:

IT IS HEREBY STIPULATED AND  
AGREED by and between the attorneys for  
the parties hereto that sealing and  
filing of the within deposition be and  
the same are hereby waived; and that the  
transcript may be signed before any  
Notary Public with the same force and  
effect as if signed before the Court.

IT IS FURTHER STIPULATED AND  
AGREED that all objections, except as to  
the form of the question, shall be  
reserved to the time of trial.

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ADAM M. PRYCE, having been  
duly sworn by the Notary Public  
(Donna A. Metz), was examined and  
testified as follows:

## EXAMINATION

BY MR. KELLY:

Q. Good morning, Mr. Pryce.

A. Good morning, Mr. Kelly.

Q. Obviously you know my name.

This morning, we will be asking you  
a few questions regarding your engagement with  
Mr. Edmonds.

If at any time you don't understand  
my question or you don't hear my question,  
please let us know.

If you answer the question, we will  
assume you understood the question and that  
you are responding to that question.

Does that seem fair to you?

A. Yes.

Q. At any time you would like to take a  
break, please let us know.

Are you represented by counsel here

Adam M. Pryce  
today?

THE WITNESS: Am I?

MR. HAYWOOD: I have explained to  
Orley, I did not talk to you, I do not  
represent you. I represent John Edmonds.

If you wish to be represented by  
counsel you may do that, but yesterday  
Orley determined that he would not be  
represented.

You may do the same.

I will listen to what is said.

I will object in the interest of  
John Edmonds, but I am mindful that you  
are a witness put forward by my client  
John Edmonds.

THE WITNESS: Okay.

A. I take the same position that Orley  
took yesterday.

Q. Can you tell me a little bit about  
your educational history?

A. I did my bachelor's in accounting at  
the University of West Indies, Kingston,  
Jamaica.

I did also the ACCA. That is the

2 (Pages 2 to 5)

6	8
<p>1 Adam M. Pryce</p> <p>2 Association of Chartered Certified Accountants</p> <p>3 in U.K. I did level 2, which is equivalent of</p> <p>4 a master's in accounting.</p> <p>5 Q. When did you complete that</p> <p>6 educational --</p> <p>7 A. I completed that in 1994.</p> <p>8 The bachelor's in 1986 and the ACCA</p> <p>9 in 1994 and my bachelor -- ACCA.</p> <p>10 MR. HAYWOODE: What is that?</p> <p>11 THE WITNESS: Association of</p> <p>12 Chartered Certified Accountants in U.K.</p> <p>13 Q. You said that was a level 2?</p> <p>14 A. Level 2 which is equivalent of</p> <p>15 master's in accounting.</p> <p>16 Q. When did you complete that</p> <p>17 educational aspect?</p> <p>18 A. In 1994.</p> <p>19 Sorry.</p> <p>20 1994, yes, 1994.</p> <p>21 Q. When you completed that educational</p> <p>22 aspect, did you then begin your professional</p> <p>23 career?</p> <p>24 A. No.</p> <p>25 I started my professional career --</p>	<p>1 Adam M. Pryce</p> <p>2 Q. What did you do with H &amp; R Block?</p> <p>3 A. Tax preparer, tax preparation.</p> <p>4 Q. How long did you work at H &amp; R</p> <p>5 Block?</p> <p>6 A. Between I think December '95 to</p> <p>7 '98. I don't remember, somewhere around that</p> <p>8 time.</p> <p>9 Q. After your work at H &amp; R Block, what</p> <p>10 did you do next?</p> <p>11 A. At that time I was doing the CPA</p> <p>12 examination, which I passed in November of</p> <p>13 2000.</p> <p>14 MR. HAYWOODE: Sorry. What</p> <p>15 examination?</p> <p>16 THE WITNESS: CPA.</p> <p>17 A. The CPA exam which I passed in</p> <p>18 November of 2000.</p> <p>19 Q. I didn't mean to interrupt.</p> <p>20 Were you continuing?</p> <p>21 A. Yes.</p> <p>22 Q. Okay.</p> <p>23 A. And then I work with Leroy Duffus,</p> <p>24 CPA.</p> <p>25 Q. Can you spell that please?</p>
7	9
<p>1 Adam M. Pryce</p> <p>2 I did ten years in accounting in Jamaica.</p> <p>3 Q. I am going to ask that you keep your</p> <p>4 voice loud so the court reporter can hear and</p> <p>5 type down what is being said.</p> <p>6 A. Okay.</p> <p>7 Are you talking about experience?</p> <p>8 Do you want me to go to that?</p> <p>9 Q. Right now I would like to know where</p> <p>10 you worked and when.</p> <p>11 A. My first job was the Investment Bank</p> <p>12 of Jamaica, which I worked for two years as a</p> <p>13 senior accountant.</p> <p>14 Then I moved on to Aican Sprotons.</p> <p>15 This is a division of Aican Aluminum of</p> <p>16 Canada, which I worked for two years.</p> <p>17 Then I worked with Jamaica Aluminum</p> <p>18 Company for six years as the chief accountant.</p> <p>19 Q. After your work at the Jamaica</p> <p>20 Aluminum Company, what did you do next?</p> <p>21 A. Well, I migrated to United States in</p> <p>22 1995.</p> <p>23 Q. Did you change your employer in 1995</p> <p>24 when you migrated to the United States?</p> <p>25 A. In 1995 I worked with H &amp; R Block.</p>	<p>1 Adam M. Pryce</p> <p>2 A. L-e-r-o-y D-u-f-f-u-s, CPA, for a</p> <p>3 year.</p> <p>4 Q. What did you do there?</p> <p>5 A. I was an auditor.</p> <p>6 Q. Was that the first position you held</p> <p>7 that you did any auditing work?</p> <p>8 A. Yes.</p> <p>9 Q. What types of companies did you</p> <p>10 audit?</p> <p>11 A. Not-for-profits, most</p> <p>12 non-for-profits.</p> <p>13 Q. After your time at Leroy Duffus,</p> <p>14 where did you work next?</p> <p>15 A. I worked with Orley Cameron, CPA for</p> <p>16 two years as a senior auditor.</p> <p>17 Q. Do you know what years those were?</p> <p>18 A. I think it's 2002 to 2004.</p> <p>19 Q. During your work with Orley Cameron,</p> <p>20 CPA, what type of companies did you audit?</p> <p>21 A. Small not-for-profit companies,</p> <p>22 daycare.</p> <p>23 Q. After your work with Orley Cameron</p> <p>24 CPA, where did you work next?</p> <p>25 A. Well, at that time I have -- while I</p>

3 (Pages 6 to 9)

<p style="text-align: right;">10</p> <p>1 Adam M. Pryce</p> <p>2 was working with Orley I had a position at</p> <p>3 FACES New York, Inc., FACES NY, Inc., as a</p> <p>4 controller.</p> <p>5 This is a company that is a</p> <p>6 not-for-profit organization. Its main service</p> <p>7 is low income housing, HUD assisted projects.</p> <p>8 And there's also a limited liability</p> <p>9 partnership that is owned by Citibank, ESIC</p> <p>10 Enterprise. This is a Citigroup limited</p> <p>11 liability partnership which FACES New York</p> <p>12 is the management company, and I'm the</p> <p>13 controller.</p> <p>14 Q. As controller of FACES New York, can</p> <p>15 you describe your work responsibilities?</p> <p>16 A. Well, I'm responsible for overall</p> <p>17 financial management of the corporation,</p> <p>18 501(c)3 corporation, including the</p> <p>19 partnership, the limited liability</p> <p>20 partnership.</p> <p>21 Q. Does FACES New York prepare</p> <p>22 financial statements that are audited?</p> <p>23 A. Yes.</p> <p>24 Q. What is your involvement in the</p> <p>25 preparation of those financial statements?</p>	<p style="text-align: right;">12</p> <p>1 Adam M. Pryce</p> <p>2 A. Audit service, I did one for a</p> <p>3 school, churches, most not-for-profit.</p> <p>4 Q. Other than your work at FACES</p> <p>5 New York, as controller, and Adam Pryce, CPA,</p> <p>6 do you have any other professional</p> <p>7 engagements?</p> <p>8 A. Well, when I came to this country I</p> <p>9 did real estate. I have a real estate</p> <p>10 broker's license.</p> <p>11 I worked with Century 21.</p> <p>12 Q. Did there come a point in time where</p> <p>13 you were a founding member of an accounting</p> <p>14 firm known as Cameron, Griffiths &amp; Pryce?</p> <p>15 A. Yes.</p> <p>16 Cameron, Griffiths &amp; Pryce was</p> <p>17 incorporated, I think, June 2007, to do</p> <p>18 specifically this job here, this project.</p> <p>19 Q. So Cameron, Griffiths &amp; Pryce has no</p> <p>20 other business purpose other than this</p> <p>21 engagement with Mr. Edmonds?</p> <p>22 A. It was formed to do this engagement,</p> <p>23 yes.</p> <p>24 Q. How did you come to learn about the</p> <p>25 engagement with Mr. Edmonds?</p>
<p style="text-align: right;">11</p> <p>1 Adam M. Pryce</p> <p>2 A. Well, I prepare the inhouse</p> <p>3 financial statements, as independent auditor.</p> <p>4 So I'm responsible for arranging the audit,</p> <p>5 overseeing it.</p> <p>6 Q. Is your work as controller for FACES</p> <p>7 New York a full-time position?</p> <p>8 A. It's a full-time position, yes.</p> <p>9 Q. Do you have any other employment</p> <p>10 other than your work at FACES New York at the</p> <p>11 current time?</p> <p>12 A. Yes.</p> <p>13 I have a public company -- a public</p> <p>14 accounting firm, Adam Pryce, CPA.</p> <p>15 Q. How long have you had a public</p> <p>16 accounting firm Adam Pryce, CPA?</p> <p>17 A. I think since 2005.</p> <p>18 Q. And what type of work does Adam</p> <p>19 Pryce, CPA do?</p> <p>20 A. I do audits, small audits. I do</p> <p>21 compilation.</p> <p>22 I review engagements, income taxes,</p> <p>23 financial planning.</p> <p>24 Q. What type of clients does Adam</p> <p>25 Pryce, CPA provide audit services for?</p>	<p style="text-align: right;">13</p> <p>1 Adam M. Pryce</p> <p>2 A. Orley invited me on the project.</p> <p>3 Q. What did Orley Cameron tell you</p> <p>4 about the project when he invited you?</p> <p>5 A. Well, he told me that Edmonds had</p> <p>6 certain concerns about distribution.</p> <p>7 Q. Did he tell you anything else?</p> <p>8 A. No, distribution, and he wants an</p> <p>9 audit to be done.</p> <p>10 Q. What did you say in response to</p> <p>11 Mr. Cameron?</p> <p>12 A. Well, I said I will join the team.</p> <p>13 Q. At that point you were engaged by</p> <p>14 Mr. Edmonds to conduct an audit, is that</p> <p>15 correct?</p> <p>16 A. Can you repeat that?</p> <p>17 Q. At that point you were engaged by</p> <p>18 Mr. Edmonds to conduct an audit?</p> <p>19 A. A financial audit.</p> <p>20 We were engaged to do a financial</p> <p>21 audit.</p> <p>22 Q. What is a financial audit?</p> <p>23 A. A financial audit is one in which we</p> <p>24 follow GAAS, generally acceptable accounting</p> <p>25 standards -- auditing standards, which is set</p>

4 (Pages 10 to 13)

14

1 Adam M. Pryce  
 2 by the AICPA, GAGAS in this case, which is  
 3 government auditing standards which we follow  
 4 in this case, and GAAP, general accepted  
 5 accounting principles, GAAP, G-A-A-P.  
 6 So we follow GAAP, we follow GAAS,  
 7 and we follow GAGAS.  
 8 Q. What steps did you take in planning  
 9 for this audit?  
 10 A. Well, first we visited the Daiton  
 11 Management, and first thing we asked for,  
 12 trial balance.  
 13 We didn't get a trial balance. This  
 14 was very strange because usually the system  
 15 produces a trial balance.  
 16 We use this trial balance to do the  
 17 planning and the preliminary analytic review.  
 18 Q. In preparing for the audit, did you  
 19 consult any professional guide?  
 20 A. All guides we do 40 credits per  
 21 year, we have our accounting, GAAP, GAAS, we  
 22 consult those, GAAS, GAGAS, and the GAAS is  
 23 what we consult.  
 24 We consult also the HUD, the  
 25 government project, because we notice that

15

1 Adam M. Pryce  
 2 three of them were HUD assisted projects.  
 3 Q. Just to clarify for the court  
 4 reporter, HUD is H-U-D?  
 5 A. Yes, HUD, yes.  
 6 MR. HAYWOOD: Housing and Urban  
 7 Development Corporation.  
 8 THE WITNESS: Yes.  
 9 Q. GAAP is G-A-A-P, all capital  
 10 letters?  
 11 A. Yes.  
 12 Q. GAAS is G-A-A-S, all capital  
 13 letters?  
 14 A. Um-hum.  
 15 Q. And GAGAS is G-A-G-A-S, all capital  
 16 letters?  
 17 A. Yes.  
 18 Q. Prior to your involvement with  
 19 Mr. Edmonds, had you audited any clients that  
 20 were subject to HUD regulations?  
 21 A. I have not audited with HUD  
 22 regulation, but I have the experience, seven  
 23 years as a controller with a project that are  
 24 HUD assisted projects.  
 25 Q. For projects that are HUD assisted,

16

1 Adam M. Pryce  
 2 can you tell me what regulations or rules HUD  
 3 imposes on those projects?  
 4 A. Well, first thing, HUD -- this is  
 5 government. Then GAGAS, we have to know the  
 6 GAGAS rules. This is governed by GAGAS, also  
 7 GAAP, because GAAP, we cannot forget GAAP, and  
 8 GAAS, we have to be governed by GAAS.  
 9 Q. In your time as an auditor in any of  
 10 your positions, had you audited any entity  
 11 that was regulated by DHCR?  
 12 A. No.  
 13 Well, one of our projects at FACES;  
 14 one of our projects, the DHCR is regulated by  
 15 DHCR, the HDPC projects.  
 16 Q. What does HDPC stand for?  
 17 A. Housing -- I don't remember exactly  
 18 right now.  
 19 Q. When you were first engaged by  
 20 Mr. Edmonds, did you agree upon a price you  
 21 would charge Mr. Edmonds for the services  
 22 provided?  
 23 A. We look on -- we got the financial  
 24 statements, the trial balance, and our fee was  
 25 determined 1 percent of revenue.

17

1 Adam M. Pryce  
 2 Q. For what year were you going to  
 3 audit?  
 4 A. It was to be audited 2005, 2006.  
 5 Q. Was your fee going to be 1 percent  
 6 per year of audit?  
 7 A. 1 percent of the revenue, yes; 1  
 8 percent of whatever the revenue per year, yes.  
 9 Q. Maybe my question wasn't clear.  
 10 You said you were going to audit  
 11 2005 and 2006?  
 12 A. Yes, two years. Usually two years  
 13 when you are auditing, two years comparison.  
 14 If the corporation is in business  
 15 for at least two years, you need to have two  
 16 years in order to do proper planning because  
 17 you are comparing, like for example, salary,  
 18 contract, expenses, against rental revenue,  
 19 the percentage. You want to see if it's  
 20 consistent over the years.  
 21 If it's 80 percent here, 70 percent  
 22 there, then you have to examine why has it  
 23 changed. So you need to have at least two  
 24 years comparison.  
 25 Q. When you were first engaged by

5 (Pages 14 to 17)



18

20

1 Adam M. Pryce  
2 Mr. Edmonds, did you enter into an engagement  
3 agreement?

4 A. Yes. We had an engagement  
5 agreement, yes.

6 Q. Do you still have a copy of that  
7 engagement agreement?

8 A. Yes, we have the engagement. Yes.

9 Q. After you began your engagement,  
10 what steps did you take next to do the  
11 engagement?

12 A. Okay. When we got the engagement,  
13 the next step was to do the fieldwork.

14 Q. What do you mean by "fieldwork"?

15 A. Fieldwork, that is to go to the  
16 client and then do the testing. We have to do  
17 a sample, based on our analytic procedure,  
18 based on the fluctuation, if there is  
19 fluctuation.

20 We compare previous years and we do  
21 testing based on the fluctuation. We  
22 determine high risk areas to be tested.

23 That is our professional judgment,  
24 based on our professional judgment.

25 Q. How many times did you go and do

19

1 Adam M. Pryce  
2 fieldwork?

3 A. How many times? Many times.  
4 I didn't count them.

5 Q. Was it more than a hundred times?

6 A. I don't think it's one hundred  
7 times.

8 Q. Do you maintain records reflecting  
9 what you did on a particular day in connection  
10 with this engagement?

11 A. The only records we maintain in  
12 terms of testing, we have documentary evidence  
13 to support what we test.

14 So I don't know what you mean, if  
15 you're talking about time. You mean logs?

16 Q. Yes, timesheets or time logs.

17 A. No. Our engagement was a fixed  
18 engagement, fixed fee.

19 Q. What documents did you request from  
20 Dalton Management at the beginning of your  
21 fieldwork?

22 A. A number of documents.

23 Q. Do you recall any of those documents  
24 in particular?

25 A. Yes.

1 Adam M. Pryce

2 For example, there was \$180,000 in  
3 accounts payable. In Dalton books it says it  
4 belongs to Dalton Management, and we did test  
5 that and we found that was not Dalton  
6 Management. It's for the partners.

7 Q. Who told you it was for the  
8 partners?

9 A. Well, I think Orley and Sandra  
10 confirm with Ron.

11 Q. With Ron Dawley?

12 A. Confirm with Ron and Edmonds.  
13 Edmonds says it's for the partners.

14 Ron, I don't know. After we found  
15 out that is for the partners, is not for  
16 Dalton.

17 In the books it said for Dalton  
18 Management. So one of the questions is that  
19 how, if a vendor gives an invoice, how is it  
20 that another vendor owes the liability -- owns  
21 the liability, belongs.

22 A vendor gives an invoice. So we  
23 couldn't get invoice. We tried to test the  
24 invoice. There was no testing. It was just  
25 stated in the invoice, \$180,000, in Dalton,

21

1 Adam M. Pryce

2 when in fact further that was a great mystery,  
3 and that was a third-party transaction,  
4 related party transaction, which is not an  
5 arm's length transaction and was not disclosed  
6 in the audit report.

7 It doesn't matter the amount.

8 Related party transaction should be disclosed.

9 Q. You mentioned in your previous  
10 answer that Mr. Edmonds acknowledged that the  
11 money was due to the partners; is that your  
12 understanding?

13 A. Yes.

14 Q. How did you get that understanding?

15 A. Well, Orley corroborated, my partner  
16 corroborated, and I think he corroborated with  
17 Seavey as well, like 180,000.

18 Q. So Orley corroborated that \$180,000  
19 was due to the partners with both Mr. Edmonds  
20 and the Seaveys?

21 A. Yes.

22 Q. Who was in charge of the engagement  
23 for Cameron, Griffiths & Pryce?

24 A. Orley is the lead partner in the  
25 engagement.

6 (Pages 18 to 21)

22

24

1 Adam M. Pryce  
2 Q. At some point after commencing your  
3 fieldwork, did Cameron, Griffiths & Pryce  
4 issue an independent auditor's report?

5 A. We did issue a report, a disclaimer  
6 opinion.

7 We didn't form an opinion of  
8 financial statement because there were client  
9 scope limitations, client restriction. We  
10 didn't get to finish our testing in order to  
11 form an opinion. That was called a  
12 disclaimer.

13 We didn't form an opinion because we  
14 had a number of client restrictions and scope  
15 limitations.

16 MR. KELLY: I am going to ask the  
17 court reporter to hand the witness  
18 Exhibit 14.

19 Q. Is this the independent auditor's  
20 report that you were referring to in your  
21 previous answer?

22 A. Yes. This is what they call  
23 disclaimer, yes.

24 Q. After you issued this independent  
25 auditor's report, did you then provide a

1 Adam M. Pryce  
2 given to both counsel all records, all  
3 papers, all notes received by Mr. Edmonds  
4 and in my file with regard to this  
5 investigation by the Cameron, Griffiths &  
6 Pryce Corporation.

7 You have everything in your  
8 possession. Whether you call it an  
9 auditor's report or you call it just  
10 something scribbled on a piece of paper  
11 or scribbled on any other document, it is  
12 all in your possession.

13 Q. What do written management reports  
14 look like?

15 A. Before that, let me clarify.

16 One of the items that were addressed  
17 in our management report was the \$180,000,  
18 that was one of the items, material items that  
19 was raised.

20 Q. What do the written management  
21 reports look like?

22 A. Well, it tells you what are the  
23 discrepancies, what we test, what we see, what  
24 we didn't get clarification for, because we  
25 are there to verify, verify based on what

23

25

1 Adam M. Pryce  
2 document to Mr. Edmonds relating to specific  
3 issues you had identified?

4 A. No. Before that we always inform  
5 Edmonds as to, with management, management  
6 reports, as to where we are, as to where we  
7 are, what are the items that we need, what we  
8 tested and what's the problem.

9 So this was the final report after  
10 that.

11 Q. When you informed Mr. Edmonds about  
12 items you were testing before this report, how  
13 did you do that?

14 A. Through written agreement, written  
15 communication. We have a number of management  
16 reports that we gave Edmonds.

17 Q. Do you still have copies of these  
18 management reports?

19 A. Yes, we do have copies of them.

20 MR. TRAUB: I want the record to  
21 reflect we have not receive any written  
22 management reports dated before November  
23 29, 2007.

24 MR. HAYWOODE: Let the record  
25 reflect, as it did yesterday, that I have

1 Adam M. Pryce  
2 Dalton gives us, the trial balance, these  
3 figures.

4 Q. And how many of these written  
5 management reports did you provide to  
6 Mr. Edmonds?

7 A. A number. I don't recall how many.  
8 I don't recall how many.

9 Q. Was it more than five?

10 A. I don't know.

11 Q. After you issued the auditor's  
12 report --

13 MR. KELLY: Strike that.

14 I am going to ask the court reporter  
15 to show the witness Exhibit 15.

16 MR. HAYWOODE: I would urge that all  
17 counsel withdraw their questions rather  
18 than strike them, because there is no  
19 judge here.

20 If it's a motion, it's going  
21 nowhere.

22 Q. Mr. Pryce, do you have Exhibit 15 in  
23 front of you?

24 A. Yes.

25 Q. Do you recognize this document?

7 (Pages 22 to 25)

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<p>1 Adam M. Pryce</p> <p>2 A. Yes.</p> <p>3 Q. What is this document?</p> <p>4 A. This document is from Cameron,</p> <p>5 Griffiths &amp; Pryce, addressed to Mr. John</p> <p>6 Edmonds.</p> <p>7 Q. What is the purpose of this</p> <p>8 document?</p> <p>9 A. The purpose of this document is to</p> <p>10 say that we have performed the audit of the</p> <p>11 above entities, and then it refers, on which</p> <p>12 we base no opinion, and saying that this is</p> <p>13 solely for inhouse use.</p> <p>14 Q. Other than Exhibits 14 and 15 --</p> <p>15 A. Yes.</p> <p>16 Q. -- in which you express no opinion</p> <p>17 with regard to your audit work --</p> <p>18 A. This is the disclaimer opinion.</p> <p>19 Q. -- have you modified that disclaimer</p> <p>20 of opinion in any way since you issued these</p> <p>21 documents?</p> <p>22 A. No, we have not modified the</p> <p>23 disclaimer because of scope limitations.</p> <p>24 We have not been satisfied based on</p> <p>25 what we tested, based on issues surrounding</p>	<p>26</p>	<p>1 Adam M. Pryce</p> <p>2 make management decisions.</p> <p>3 When you have audit services, must</p> <p>4 be the de minimis rule, says that less than 40</p> <p>5 hours, maximum of \$5,000.</p> <p>6 We see, for example, at Lakeview,</p> <p>7 for example, where there was a contract from</p> <p>8 DHCR for \$34,000 and there was \$108,000</p> <p>9 charged, a difference. We considered that as</p> <p>10 overreaching.</p> <p>11 So those were overreaching according</p> <p>12 to GAGAS.</p> <p>13 Q. Is there anything else you saw that</p> <p>14 you referred to when you said you saw evidence</p> <p>15 of independence issues?</p> <p>16 A. Yes.</p> <p>17 One of the requirements of the audit</p> <p>18 is that you test management estimates.</p> <p>19 Management makes estimates. You</p> <p>20 test the estimates to make sure the estimates</p> <p>21 are reasonable, according to professional</p> <p>22 requirements.</p> <p>23 One of the requirements for DHCR was</p> <p>24 to calculate a shelter tax and the estimate</p> <p>25 was not made by Dalton, but it was done by the</p>	<p>28</p>
<p>1 Adam M. Pryce</p> <p>2 independence, independence of external</p> <p>3 auditors and who was doing the accounting,</p> <p>4 issues of independence. That's very</p> <p>5 important.</p> <p>6 We saw evidence, appearance of</p> <p>7 independence, based on GAGAS, based on GAAP,</p> <p>8 based on GAAS, and we weren't satisfied with</p> <p>9 some of these. So we couldn't -- we made no</p> <p>10 opinion. We still have disclaimer of opinion.</p> <p>11 MR. HAYWOODE: We were dissatisfied,</p> <p>12 Ms. Metz.</p> <p>13 THE WITNESS: We were not satisfied.</p> <p>14 MR. HAYWOODE: "We were not</p> <p>15 satisfied." Dissatisfied.</p> <p>16 A. We still stick with the disclaimer</p> <p>17 of opinion.</p> <p>18 Q. You said you saw evidence regarding</p> <p>19 independence issues?</p> <p>20 A. Yes.</p> <p>21 Q. What evidence are you referring to?</p> <p>22 A. Okay.</p> <p>23 GAGAS mentions two overreaching</p> <p>24 principles.</p> <p>25 One is auditors are not supposed to</p>	<p>27</p>	<p>1 Adam M. Pryce</p> <p>2 auditor. And the estimate was done by the</p> <p>3 external auditor.</p> <p>4 Q. Anything else?</p> <p>5 A. That's one of the examples.</p> <p>6 There are a number of other things</p> <p>7 which -- there is a pattern at Lakeview, in,</p> <p>8 for example, Church Home, for example, where</p> <p>9 we have the exact contract amount exceeded</p> <p>10 over \$5,000, the de minimis rule as well.</p> <p>11 Q. Anything else?</p> <p>12 A. Those are examples.</p> <p>13 Q. When you said you saw evidence, I</p> <p>14 just want to know what evidence you saw.</p> <p>15 A. I gave you two evidences.</p> <p>16 Q. Anything else?</p> <p>17 A. The others -- this audit was done</p> <p>18 over a year ago --</p> <p>19 MR. HAYWOODE: Objection to any</p> <p>20 question --</p> <p>21 A. -- so I can't remember everything</p> <p>22 that you want me to remember, but I give you</p> <p>23 examples.</p> <p>24 MR. HAYWOODE: I withdraw my</p> <p>25 objection.</p>	<p>29</p>

8 (Pages 26 to 29)



30

1 Adam M. Pryce  
 2 My objection to the question which  
 3 calls upon a witness who submitted  
 4 documentation which counsel all have in  
 5 their possession, and you are asking for  
 6 his present recollection as he sits here  
 7 today of what he wrote over a year ago.  
 8 I object to the form of that question.  
 9 MR. KELLY: I heard your objection.  
 10 I am going to proceed with my  
 11 questioning.  
 12 MR. HAYWOODE: Please.  
 13 Q. At any point, did you speak with  
 14 anybody from Marks Paneth & Shron regarding  
 15 the Edmonds engagement?  
 16 A. My partners Sandra and Orley spoke  
 17 to one of the partners. I did not personally  
 18 speak to anybody from -- to any of the  
 19 auditors, Shron, I didn't speak to anybody.  
 20 Q. What did your partners,  
 21 Ms. Griffiths and Mr. Cameron, tell you about  
 22 their conversation with Marks Paneth & Shron?  
 23 A. This was an issue that has to do  
 24 with our refinance, a loan refinance, in which  
 25 the fees, the finance fees were amortized over

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1 Adam M. Pryce  
 2 thirty years instead of over the life of the  
 3 loan, which disputes GAAP. General acceptable  
 4 accounting principles says that when you  
 5 refinance it should be written over the life  
 6 of the loan instead of thirty years.  
 7 So that is a GAAP problem. I think  
 8 that is what they spoke to him about. I can't  
 9 recall.  
 10 Q. Did Mr. Cameron tell you that the  
 11 partner at Marks Paneth & Shron offered to sit  
 12 down with Cameron, Griffiths & Pryce and go  
 13 over any issues they may have?  
 14 MR. HAYWOODE: Objection to the  
 15 leading nature of the question, but the  
 16 witness may answer.  
 17 A. Let me answer that.  
 18 I think at the time when the partner  
 19 was contested, he said he was traveling to  
 20 Europe or he was traveling somewhere.  
 21 In fact, Sandra or we decided to  
 22 communicate -- I'm saying we, my two  
 23 partners. It was Ron Dawley who referred them  
 24 to Shron. So we didn't contact. It was Ron  
 25 Dawley who referred them because of

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1 Adam M. Pryce  
 2 information that we needed.  
 3 That was strange.  
 4 Q. Did your partners, Mr. Cameron or  
 5 Ms. Griffiths, tell you that Marks Paneth &  
 6 Shron had offered to meet with Cameron,  
 7 Griffiths & Pryce and go over any issues they  
 8 may have?  
 9 MR. HAYWOODE: Objection, again.  
 10 A. I don't recall.  
 11 I don't see why Dalton Management  
 12 was the accountant. I don't see why Dalton  
 13 Management shouldn't deal with the matter,  
 14 because they are the accountants.  
 15 MR. KELLY: I am going to ask the  
 16 court reporter to mark this as the next  
 17 exhibit.  
 18 (Copy of Subpoena issued to Adam  
 19 Pryce, was marked as Defendant's Exhibit  
 20 18 for identification, as of this date.)  
 21 Q. Do you see Exhibit 18 in front of  
 22 you?  
 23 A. Yes.  
 24 Q. Have you seen that document before?  
 25 A. Yes.

33

1 Adam M. Pryce  
 2 Q. Was that document given to you  
 3 several weeks ago at your office?  
 4 A. Yes.  
 5 Q. At the time you received this  
 6 document, did you review the document?  
 7 A. Yes, I did.  
 8 Q. What did you do in response to this  
 9 document?  
 10 A. I'm here today.  
 11 Q. Did you contact anybody when you  
 12 received this document?  
 13 A. No.  
 14 Q. Prior to your deposition here today,  
 15 did you speak with anybody about your  
 16 deposition?  
 17 A. No.  
 18 Q. Did you speak with anybody in  
 19 connection with your anticipated testimony  
 20 today?  
 21 A. No.  
 22 Q. Looking back at Exhibit 15, is this  
 23 something that you described previously as a  
 24 written management report?  
 25 A. Yes. These are the questions from

9 (Pages 30 to 33)

34

1 Adam M. Pryce  
2 the management report, we call it, yes. These  
3 were issued, yes.

4 Q. Am I understanding you correctly  
5 that you issued several of these types of  
6 documents prior to this particular one?

7 A. I don't know what you mean by  
8 "several."

9 Q. Did you issue previous documents  
10 similar to this prior to this one?

11 A. I don't know if it's prior to  
12 this, but these were issued by us to John  
13 Edmonds.

14 I don't know if there were  
15 previous. I didn't count them.

16 Q. After the date of this document,  
17 December 12th, 2007, did you or Cameron,  
18 Griffiths & Pryce prepare similar documents  
19 updating the findings in this one?

20 A. Well, this is December 12th, 2007.  
21 So this is after the audit report. This is  
22 after the audit report.

23 Yes, we did update Edmonds. We did  
24 update Edmonds.

25 Q. After you issued Exhibit 15 on

35

1 Adam M. Pryce  
2 December 12th, 2007 --

3 A. Yes.

4 Q. -- did you provide additional  
5 written updates to Mr. Edmonds?

6 A. I can't recall.

7 Because, remember, we were given  
8 some documents after we came here. I think we  
9 came two places. So we did update it. So  
10 this is the update.

11 Q. Do you recall any additional update  
12 after this?

13 A. No.

14 MR. KELLY: I think I may be  
15 finished.

16 (Pause.)

17 MR. KELLY: I am finished with my  
18 questioning.

19 MR. HAYWOODE: For the record, let  
20 me indicate that Sandra Griffiths, the  
21 third partner, had indicated her  
22 intention to be present this morning and  
23 she was ready and willing to be deposed  
24 in any order or at least after  
25 Mr. Pryce's testimony, but we were

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1 Adam M. Pryce

2 informed by Bill Kelly that he has an  
3 assignment this afternoon in the federal  
4 district courts and must leave before one  
5 o'clock, and that when apprised of that  
6 information and at Mr. Kelly's direction,  
7 we advised Ms. Griffiths not to come.

8 She is ill and has been somewhat  
9 ill, but she was prepared to come and  
10 give her testimony this morning.

11 MR. KELLY: And let me also just  
12 clarify for the record that Ms. Griffiths  
13 was subpoenaed to appear yesterday and we  
14 were informed that she was ill.

15 So her deposition had been adjourned  
16 on that premise.

17 We were informed when we appeared  
18 here this morning that Ms. Griffiths was  
19 available for this afternoon, and as I  
20 indicated, I was unavailable, and I'm  
21 sure we will work together to reschedule  
22 her deposition at the nearest open date  
23 for all of us.

24 MR. HAYWOODE: I always work  
25 together with you.

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1 Adam M. Pryce

2 EXAMINATION

3 BY MR. TRAUB:

4 Q. Good morning, Mr. Pryce.

5 A. Good morning.

6 Q. My name is Darren Traub. I  
7 represent the other defendants in this action  
8 other than Marks Paneth & Shron and I just  
9 have a few followup questions for you.

10 You stated that you have a full-time  
11 job at FACES New York, Inc. as a controller;  
12 is that correct?

13 A. Yes.

14 Q. Does FACES know that you also have a  
15 job with with Cameron, Griffiths & Pryce?

16 A. Well, I'm a partner of Cameron,  
17 Griffiths & Pryce.

18 Q. And did you disclose your  
19 partnership interests in Cameron, Griffiths &  
20 Pryce to FACES New York?

21 A. If I disclosed it? Yes.

22 Q. So they are aware of the project you  
23 are handling for Mr. Edmonds?

24 A. Of course.

25 Q. And you stated that FACES New York

10 (Pages 34 to 37)

38

40

1 Adam M. Pryce  
 2 is involved with the project called HDFC, is  
 3 that correct?  
 4 A. The HDFC building, it reports on HUD  
 5 as well.  
 6 Q. I believe you testified --  
 7 A. By the way, because HDFC is on DHCR  
 8 as well.  
 9 Q. You also said that HDFC is regulated  
 10 by DHCR, is that correct?  
 11 A. Yes.  
 12 Q. What is your involvement with HDFC?  
 13 A. I don't know. I don't understand.  
 14 You mean in terms of what?  
 15 Q. Are you also -- do you do the  
 16 accounting for the books and records of HDFC?  
 17 A. Yes. HDFC is a HUD project, which I  
 18 do the books for.  
 19 Q. So you do work with DHCR also --  
 20 A. No.  
 21 Q. -- for HDFC?  
 22 A. No. I work with FACES New York.  
 23 That is a HUD assisted project.  
 24 Q. Let me rephrase my question.  
 25 On behalf of FACES New York and on

39

1 Adam M. Pryce  
 2 behalf of its project HDFC, do you have  
 3 contact with DHCR?  
 4 A. No, I don't. I don't have any  
 5 direct contact with DHCR.  
 6 Q. Who is responsible for the direct  
 7 contact with DHCR for the HDFC project?  
 8 A. Well, the executive director.  
 9 Q. Other than the current project, have  
 10 you ever audited a project that is regulated  
 11 by Mitchell-Lama?  
 12 A. No.  
 13 Q. Other than the current project, have  
 14 you ever regulated -- have you ever audited a  
 15 project that is regulated by HDC?  
 16 A. HDFC?  
 17 Q. HDC.  
 18 A. What HDC mean?  
 19 Q. Are you not familiar with the term  
 20 HDC?  
 21 A. I don't know what is HDC. I am not  
 22 familiar with HDC.  
 23 What is that? HDC can mean many  
 24 things. I don't know. Clarify that.  
 25 Q. Are you familiar with the

1 Adam M. Pryce  
 2 governmental institute?  
 3 A. I am familiar with HUD.  
 4 Q. HUD is the entity which you are  
 5 familiar with?  
 6 A. And DHCR works with HUD. That's the  
 7 state.  
 8 Q. What about any other governmental  
 9 regulated agencies, are you familiar with any  
 10 other ones other than HUD?  
 11 A. I don't know. You mean --  
 12 MR. HAYWOODE: I object.  
 13 A. I don't know.  
 14 MR. HAYWOODE: I don't know that is  
 15 appropriate.  
 16 A. I don't know what you're driving at.  
 17 Q. My question is you said you are  
 18 familiar with HUD.  
 19 Are you familiar with any --  
 20 A. No. Let me explain what I said.  
 21 I do the accounting for FACES  
 22 New York, HUD assisted projects.  
 23 I do not have any personal contact  
 24 with anybody of DHCR or HUD.  
 25 Q. What about with any other state or

41

1 Adam M. Pryce  
 2 legal governmental agencies that regulate  
 3 multifamily housing projects?  
 4 A. I don't have any personal contact  
 5 with any of them.  
 6 Q. You also stated that Mr. Cameron  
 7 asked you or said you should join the team,  
 8 and you did, and the team you referred to is  
 9 Cameron, Griffiths & Pryce, and you formed the  
 10 entity Cameron, Griffiths & Pryce for the  
 11 purpose of conducting the audit of the  
 12 projects for Mr. Edmonds; is that correct?  
 13 A. Yes.  
 14 Q. Did you put a capital contribution  
 15 into Cameron, Griffiths & Pryce?  
 16 A. In initiating the formation.  
 17 Q. What was your initial capital  
 18 contribution?  
 19 A. I put in the fees, the state fees.  
 20 Q. You, personally, put up the fees?  
 21 A. Yes, I put in the fees as well.  
 22 Q. In reviewing --  
 23 MR. TRAUB: Withdrawn.  
 24 Q. In auditing the projects, and by  
 25 that I mean the four partnerships that

11 (Pages 38 to 41)

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44

1 Adam M. Pryce  
 2 Mr. Edmonds retained you to review, did you  
 3 report all of your findings to Mr. Cameron?  
 4 A. If I report my findings to  
 5 Mr. Cameron?  
 6 Okay. We audited the financial  
 7 statements and we joined together.  
 8 Q. So Mr. Cameron, then, would be aware  
 9 of any findings that you came across during  
 10 the audit?  
 11 A. Mr. Cameron, Ms. Griffiths and  
 12 myself, the three of us are aware. We all  
 13 aware of the findings. We did review each  
 14 other's work.  
 15 Q. You did review each other's work?  
 16 A. Yes.  
 17 Q. Have you ever audited any other  
 18 multifamily dwelling residential housing  
 19 projects?  
 20 A. Not audited, but I have experience  
 21 working with FACES New York on similar  
 22 projects, yes.  
 23 Q. With FACES New York, how many  
 24 housing projects does FACES New York have?  
 25 A. We have about seventy-seven.

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1 Adam M. Pryce  
 2 Q. Seventy-seven?  
 3 A. Plus we have scatter site projects  
 4 as well, which is funded by New York City, HRA  
 5 administration.  
 6 Q. You are not the auditor for those  
 7 projects?  
 8 A. No. I'm the controller.  
 9 Q. In reviewing the files for the  
 10 different projects on behalf of Mr. Edmonds,  
 11 have you discovered any money that is missing  
 12 or unaccounted for?  
 13 A. Before we go, we did not review.  
 14 We did an audit. An audit is  
 15 full-blown attestation agreement.  
 16 A review is a limited assurance  
 17 agreement. We didn't do a review for  
 18 Mr. Edmonds. We did a financial audit. It's  
 19 different from a review.  
 20 When you use review, it's kind of  
 21 confusing to me, based on GAAP, based on GAAS.  
 22 Q. Let me rephrase my question.  
 23 In doing your financial audit for  
 24 Mr. Edmonds of the four partnerships, did you  
 25 discover any money that is missing or

1 Adam M. Pryce  
 2 unaccounted for?  
 3 A. We didn't discover any cash  
 4 problems.  
 5 We discovered transactions that we  
 6 couldn't test.  
 7 We discovered, for example, there  
 8 was \$29,000 in the books for Seavey, for  
 9 Seavey loan, which couldn't be tested and  
 10 couldn't be disclosed because of third party  
 11 transaction.  
 12 We didn't discover any cash  
 13 missing. We discovered figures that we  
 14 couldn't verify.  
 15 Q. Did you discover any payments that  
 16 should have gone to either the partnerships or  
 17 Dalton Management but instead went directly to  
 18 any of the Seaveys?  
 19 A. We didn't see that. We didn't see  
 20 that.  
 21 However, when we look at Church Home  
 22 there was a bank account that suddenly  
 23 appearing at the end in our testing that the  
 24 details that was distributed, that the details  
 25 was not in the books of Dalton.

45

1 Adam M. Pryce  
 2 Q. But did that account show any monies  
 3 being paid directly to the Seaveys?  
 4 A. It was a distribution. There was a  
 5 distribution paid to the partners, but the  
 6 detail of it was not inside the general  
 7 ledger.  
 8 Q. Thank you.  
 9 MR. HAYWOODE: I object to any  
 10 characterization, monies paid directly to  
 11 the Seaveys, because we know that the  
 12 Seavey group and the Seavey family is  
 13 a substantial component of Dalton  
 14 Management.  
 15 MR. TRAUB: Once again, I remind you  
 16 that your objection is beyond what is  
 17 permissible under the Federal Rules.  
 18 MR. HAYWOODE: In your opinion. I  
 19 am not going to be governed here today by  
 20 your opinion.  
 21 MR. TRAUB: You are going to be  
 22 governed by the Federal Rules.  
 23 MR. HAYWOODE: I have seen enough of  
 24 your opinions.  
 25 MR. TRAUB: I have no further

12 (Pages 42 to 45)



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48

1 Adam M. Pryce  
2 questions.

3 Since we are on the record, I want  
4 to state on the record at 5:35 yesterday  
5 you filed a motion for sanctions and to  
6 compel documents that had been produced  
7 to your office more than seven hours  
8 prior to the filing of your motion.

9 I also pointed that out to you in an  
10 email after you filed.

11 MR. HAYWOODE: I missed what  
12 Mr. Traub said about seven hours,  
13 Ms. Metz.

14 Could you read it back?

15 (Whereupon, the requested portion  
16 was read back by the reporter.)

17 MR. TRAUB: Your motion. And I  
18 asked you to withdraw or correct the  
19 statements in your motion to compel  
20 documents in your statements that you had  
21 not yet received those documents, as they  
22 were untrue, and I have not heard a  
23 response from your office yet.

24 So I want to ask on the record, do  
25 you intend to withdraw your motion filed

1 Adam M. Pryce

2 which are directly addressed by the  
3 documents that you were concealing, and  
4 on Sunday when I indicated to you that I  
5 could not proceed with any further  
6 deposition unless I heard and found what  
7 those documents were, what did you do?

8 You didn't send it to me Sunday, but  
9 you knew it and you had it.

10 You didn't send it to me or tell me  
11 Monday morning when I said send me the  
12 documents and the deposition of  
13 Ms. Seavey will ensue. You didn't  
14 respond to that.

15 Your response was to make a motion  
16 for sanctions at the end of the day at  
17 5:30 with nothing further.

18 When I came here yesterday you  
19 didn't bring the documents to me and give  
20 them to me, if you intended me to know it  
21 or to have it.

22 The questions I raised before the  
23 magistrate is why a lawyer would conceal  
24 documents, represent they had nothing to  
25 do with the deposition that Mrs. Seavey

47

49

1 Adam M. Pryce  
2 seven hours after the production of  
3 documents?

4 MR. HAYWOODE: Mr. Traub, what time  
5 did you produce the documents that you  
6 say you produced to my office?

7 MR. TRAUB: 10:11 a.m.

8 MR. HAYWOODE: Where was I yesterday  
9 at 10:11 a.m.?

10 You know I was here with you  
11 yesterday.

12 MR. TRAUB: Until one o'clock.

13 MR. HAYWOODE: Until one o'clock, so  
14 if you served something on my office on  
15 that morning and I wasn't there, I didn't  
16 see it.

17 The documents -- the motion was made  
18 prior to my knowledge that you had served  
19 papers which we had asked for as long ago  
20 as Thursday, the 16th, which were  
21 withheld from us, which we requested on  
22 Sunday afternoon after you deposed  
23 Mr. Edmonds for five hours on Friday, the  
24 day after we asked for the documents, and  
25 you put a series of questions to him

1 Adam M. Pryce  
2 was about to give?

3 Why would a lawyer do that when in  
4 the midst of the document are documents  
5 which contravene allegations made by him  
6 and his client in three or four lawsuits  
7 that I know of, especially this one?

8 You argued before the magistrate  
9 certain circumstances which are directly  
10 contradicted by the documents that you  
11 submitted to my office sometime yesterday  
12 when I wasn't home, there.

13 Particularly, the motion made to the  
14 magistrate raises the question as to why  
15 you would write a 21-page affidavit  
16 complaining about our inability to  
17 proceed to the deposition of Mrs. Seavey  
18 because we say we wanted to see the  
19 documents being held since Thursday, the  
20 16th, and never produced to the  
21 magistrate the documents that you say you  
22 produced to me one day later.

23 That looks to me like a deliberate  
24 effort to conceal evidence, to force a  
25 deposition under circumstances where I

13 (Pages 46 to 49)

50

52

1 Adam M. Pryce  
2 knew on Thursday, so far as I could see,  
3 that the documents that you were  
4 spiriting and hiding away are documents  
5 which directly related to the testimony  
6 to be given by Mrs. Seaver and any other  
7 defendant.

8 And I don't understand that  
9 professionally, counselor. I have a  
10 professional problem with that.

11 MR. TRAUB: Exactly, Mr. Haywoode.

12 The professional problem I have is  
13 the abundant misstatements that come  
14 out of your mouth without any factual  
15 knowledge whatsoever.

16 First of all, you should know that  
17 the first time that I was told that you  
18 were actually missing documents was in  
19 your e-mail Sunday night.

20 In fact, I had not seen the  
21 documents until Monday morning.

22 At that time, we began to review  
23 them, Bates label them, and prepare them  
24 for production to your office.

25 I had not known anything Thursday

1 Adam M. Pryce  
2 then informed you, at 5:38 p.m.  
3 yesterday, that your motion was incorrect  
4 because your office had already had the  
5 documents. You never responded, which is  
6 why I am now giving you a chance on the  
7 record to state whether or not you will  
8 withdraw your motion that was filed seven  
9 hours after the documents had been  
10 produced to your office.

11 That's the only question I am posing  
12 to you.

13 MR. HAYWOODE: I say again, the  
14 question raised in my motion was why this  
15 document wasn't presented to us Monday  
16 morning before the deposition of Phyllis  
17 Seavey.

18 MR. TRAUB: Because you didn't show  
19 up for the deposition, Mr. Haywoode.

20 MR. HAYWOODE: I am speaking.

21 I want to know why the document  
22 wasn't given to us Thursday afternoon at  
23 the time we requested. This recent  
24 fabrication about Bates numbering is  
25 ridiculous.

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1 Adam M. Pryce  
2 afternoon and in fact the investigation  
3 and review of those documents were  
4 continuing by your office on Friday and,  
5 as far as your e-mail made it sound like  
6 to the magistrate, Saturday and Sunday.

7 So we were not going to continue to  
8 piecemeal photocopies for you. We were  
9 going to wait for you to tell us  
10 everything you wanted, photocopy them  
11 at one time, and produce them to you,  
12 just like we have done twice in the past.

13 In addition, you should note that  
14 both the document production that have  
15 occurred to your office in the past  
16 occurred through my office, after we  
17 reviewed them and were able to determine  
18 whether or not any of the documents were  
19 privileged, confidential, or how they  
20 need to be produced.

21 That is the way discovery occurs in  
22 both state and in federal court.

23 Moreover, regardless of whether you  
24 knew the documents had been produced to  
25 your office at 10:11 a.m., at the time I

1 Adam M. Pryce  
2 MR. TRAUB: Did you request  
3 documents from my office?  
4 MR. HAYWOODE: Hundreds of pieces of  
5 paper have been exchanged by all the  
6 parties in boxloads and you will not see  
7 a Bates number on any one of those  
8 hundreds, maybe several thousands of  
9 pages, not a Bates number on one of them.

10 This was nothing but a contrivance  
11 to suppress evidence directly relevant to  
12 the cross-examination that you did of  
13 Mr. Edmonds. The very following day  
14 while we were waiting for those documents  
15 you put a series of questions to John  
16 Edmonds concerning his ownership of  
17 shares in these corporations which were  
18 directly contravened by the documents  
19 that were being suppressed and held, and  
20 you continued to hold them, and even when  
21 you went to the magistrate with your  
22 21-page production, you did not include  
23 the documents.

24 Why not before the magistrate?  
25 Because then the magistrate might have

14 (Pages 50 to 53)

54

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1 Adam M. Pryce  
 2 seen what everyone else saw, what I  
 3 referred to as my sentinels and shepherds  
 4 in the field saw Thursday night, that you  
 5 were suppressing evidence which you  
 6 intended -- which directly touched upon  
 7 your deposition of John Edmonds and which  
 8 would have directly impacted on the  
 9 deposition of Phyllis Seavey, Bob Seavey,  
 10 Avery Seavey, Neale Seavey, any other  
 11 defendant that you would have produced.  
 12 And when did you produce it? Not to  
 13 me Monday morning, not to the magistrate  
 14 in your motion, but you snuck it into my  
 15 office allegedly in the morning.  
 16 I don't monitor the e-mails all day,  
 17 and I don't see them sometimes until the  
 18 following day.  
 19 I had no idea that you even sent  
 20 other e-mails to my office last night.  
 21 I don't live in the office.  
 22 MR. TRAUB: Mr. Haywoode --  
 23 MR. HAYWOODE: Why, when I said to  
 24 you I have a cell phone number, and I  
 25 said it to both counsel, a 24-hour cell

1 Adam M. Pryce  
 2 know --  
 3 MR. HAYWOODE: Because you said it  
 4 didn't have anything to do with anything  
 5 and you said Phyllis Seavey's name wasn't  
 6 in it.  
 7 So you knew what it was.  
 8 I want to know if any body of  
 9 attorneys looking at those exhibits and  
 10 knowing the facts of this case could  
 11 conclude that a lawyer looked at those  
 12 exhibits and said, oh, this has nothing  
 13 to do with any question he could possibly  
 14 ask any of my clients.  
 15 I have a professional problem with  
 16 that assessment.  
 17 MR. TRAUB: Mr. Haywoode, when you  
 18 have the facts, you argue the facts.  
 19 When you have the facts on your side, you  
 20 argue the facts. When you have the law  
 21 on your side you argue the law, and when  
 22 you have neither you do as Mr. Haywoode  
 23 is now doing and you pound the table.  
 24 MR. HAYWOODE: I haven't pounded any  
 25 table.

55

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1 Adam M. Pryce  
 2 phone number, anything you had to say to  
 3 me you could have said. You could have  
 4 said it Sunday, all night Sunday, Monday.  
 5 My motion to the magistrate is as to  
 6 why a lawyer would have held this  
 7 document until even Tuesday morning and  
 8 sent it to me at a time when he knew I  
 9 was in his office engaged in another  
 10 deposition.  
 11 I call that sleight of hand,  
 12 which bothers me professionally.  
 13 MR. TRAUB: That's nice,  
 14 Mr. Haywoode.  
 15 I ask you number one to show me a  
 16 single request to my office to produce  
 17 documents Thursday. You cannot because  
 18 the request never came to me or my  
 19 office.  
 20 MR. HAYWOODE: That's what you say.  
 21 I don't know. But you certainly knew it  
 22 Sunday and it still took you until  
 23 Tuesday to give it to us, and you  
 24 certainly knew the text of it on Sunday.  
 25 MR. TRAUB: Mr. Haywoode, I did not

1 Adam M. Pryce  
 2 MR. TRAUB: Figuratively.  
 3 MR. HAYWOODE: When you have the  
 4 evidence which contravenes your case  
 5 and indicates major, major contradictions  
 6 in presentations you have made in this  
 7 and several other suits, you suppress  
 8 it.  
 9 MR. TRAUB: Mr. Haywoode, clearly  
 10 you have not reviewed the documents  
 11 that have been produced to your office  
 12 because when you see them you will know  
 13 that what they are a cover letter from  
 14 Mr. Seavey to various parties enclosing  
 15 the exact same documents that were  
 16 provided and marked as exhibits in your  
 17 client's deposition on Friday.  
 18 I don't intend to engage in this any  
 19 further with you.  
 20 Clearly, you are not going to  
 21 withdraw your motion. So we will respond  
 22 in due course.  
 23 Do you have any other questions?  
 24 MR. KELLY: No.  
 25 THE WITNESS: I just want to say

15 (Pages 54 to 57)

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1 Adam M. Pryce  
2 something.  
3 MR. HAYWOODE: Oh, one further  
4 thing.  
5 Did you not say that Mrs. Seavey  
6 would be unavailable after the 20th and  
7 will not be here and would be unable to  
8 be deposed?  
9 Mrs. Seavey was certainly here today  
10 and yesterday.  
11 Did you not say it was difficult to  
12 get to this place, when her office is  
13 right across the street, and when I said  
14 let's do the deposition here as a  
15 courtesy to the Seaveys, who I have known  
16 for many years, so it is convenient to  
17 them rather than have them come out to my  
18 office?  
19 MR. TRAUB: Mr. Haywoode, I think  
20 this is the problem.  
21 MR. HAYWOODE: This has nothing to  
22 do with the deposition record.  
23 I don't know. If you want to keep  
24 it on, go ahead.  
25 You said what you wanted to say. I

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1 Adam M. Pryce  
2 said what I wanted to say.  
3 MR. TRAUB: I will just correct the  
4 misstatement.  
5 My comment was that Mrs. Seavey  
6 would be unavailable over the course of  
7 the next two weeks.  
8 There were depositions scheduled  
9 yesterday so Mrs. Seavey's deposition  
10 could not be held.  
11 There was a deposition scheduled for  
12 today.  
13 I stand by my statement to the  
14 magistrate, as I presume you do as  
15 well.  
16 I have nothing further for this  
17 witness and there are no questions in  
18 front of him.  
19 THE WITNESS: May I say something?  
20 MR. TRAUB: No. There is no  
21 question.  
22 THE WITNESS: Can I say something?  
23 MR. TRAUB: No.  
24 MR. HAYWOODE: I wish to examine the  
25 witness.

1 Adam M. Pryce  
2 EXAMINATION  
3 BY MR. HAYWOODE:  
4 Q. Mr. Pryce, let me try to get a fix  
5 on this.  
6 You and your associates looked at  
7 the 2006 books of these corporations at one  
8 point; is that correct?  
9 A. Yes.  
10 Q. Is it your testimony that when you  
11 looked at the books and you tested areas, you  
12 were unable to come to any conclusion because  
13 you could not see the supporting evidence to  
14 support the areas of testing that you  
15 conducted?  
16 A. Yes.  
17 MR. KELLY: Objection.  
18 Q. Is that what you said?  
19 A. Yes. There were material areas that  
20 we couldn't get evidence, we couldn't form an  
21 opinion.  
22 Q. Now, sir, when these --  
23 MR. HAYWOODE: I withdraw that.  
24 Q. This is not an unusual circumstance  
25 for an auditor; is it?

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1 Adam M. Pryce  
2 MR. KELLY: Objection.  
3 A. Well, first thing, the system didn't  
4 produce a trial balance.  
5 We saw a number of adjusting journal  
6 entries, correcting journal entries at the  
7 yearend which were above the normal  
8 requirement, five adjusting entries that the  
9 auditors usually propose, five to ten. That's  
10 a normal audit.  
11 We saw over twenty journal entries  
12 at least each year.  
13 It suggests that there was  
14 deficiency in the internal control of the  
15 auditor.  
16 Q. Would you describe those  
17 deficiencies?  
18 A. Deficiency and a number of entries  
19 that Dalton should have made, because Dalton I  
20 understand was using cash basis of accounting  
21 but that was confusing, because if you use  
22 cash base of accounting you do not record  
23 receivables or payables.  
24 We saw receivables in Dalton's book  
25 and yet it was confusing.

16 (Pages 58 to 61)



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1 Adam M. Pryce

2 Now, those journal entries that we  
3 saw, the number of journal entries we saw  
4 proposed by the auditor, we didn't see any  
5 evidence that they were approved by Dalton  
6 and Dalton did not book them that way neither.

7 Now, if you are converting from cash  
8 basis of accounting to accrual basis, which is  
9 GAAP, GAAP, then there are two journal entries  
10 you need to see at yearend. One with  
11 receivables and one with payables.

12 They were excessive journal  
13 entries. They were evidence that they were  
14 approved by Dalton.

15 Usually --

16 Q. Did you say there were?

17 A. There were no evidence that these  
18 proposed entries were approved by Dalton.  
19 Dalton is responsible for the financial  
20 statement.

21 Management is responsible for the  
22 management statement.

23 Auditors are there to form an  
24 opinion of the financial statement.

25 Q. So that your findings were that

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65

1 Adam M. Pryce

2 these decisions were being made by the  
3 auditor?

4 A. Yes.

5 MR. KELLY: Objection.

6 A. Because the accountant, normal  
7 practice according to GAAP, should have sent a  
8 letter to the client asking the client to  
9 approve the journal entries, and we didn't see  
10 the evidence, and Dalton didn't book them in  
11 that order neither.

12 So the question is, those are things  
13 we didn't have the evidence. So we couldn't  
14 form an opinion neither.

15 Q. Is it fair to say that an objective  
16 observer might have looked at this and  
17 determined that Dalton was not the accountant  
18 but that Marks Paneth & Shron was the  
19 accountant for these developments?

20 MR. KELLY: Objection.

21 A. Well, the journal entries were not  
22 approved by Dalton. So if they're not  
23 approved, then there is an implication that  
24 management decisions were being made by the  
25 auditor, and this is overreaching, one of the

1 Adam M. Pryce

2 aspects of the overreaching rule of GAGAS.

3 We were not there -- we were there  
4 to conduct a financial audit on any matters  
5 that come to our attention which were  
6 considered material, we need to disclose them  
7 for our client, and this is what we did in our  
8 management letters.

9 Q. Are you familiar with the issue that  
10 arose concerning frontline employees and  
11 central office employees being paid by the  
12 partnership corporation?

13 A. Yes, I am familiar.

14 Q. And you are aware that one of  
15 Mr. Edmonds's concerns was that the  
16 developments of which he is a partner may be  
17 paying expenses having to do with other  
18 developments owned by the Seavey group that he  
19 is not a member of? Have you heard that  
20 situation?

21 A. Yes.

22 Q. To your knowledge --

23 MR. HAYWOODE: I withdraw that.

24 Q. Are you aware that there are some  
25 twelve other units which John Edmonds is not

1 Adam M. Pryce

2 associated with, which are owned by the Seavey  
3 group?

4 A. Yes, I am aware.

5 Q. Are you aware that all of those  
6 developments in our present information have  
7 Dalton Management as the manager and Marks  
8 Paneth & Shron as the auditor? Are you aware  
9 of that?

10 MR. KELLY: Objection.

11 A. Yes.

12 MR. KELLY: You just asked a  
13 question upon information.

14 Can I ask you to identify what  
15 information you are referring to?

16 MR. HAYWOODE: Information provided  
17 in discovery by the parties.

18 MR. KELLY: Can you be more specific  
19 than that?

20 MR. HAYWOODE: Well, I will.

21 On one occasion we asked for an  
22 allocation of the amounts of payment  
23 being made by each development to the  
24 central office staff of Dalton Management  
25 and we received a paper which listed

17 (Pages 62 to 65)

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Adam M. Pryce  
three developments: Charles Hill, Logan  
Plaza, and Church Home.

On another occasion previous, when  
we had raised the same question, we  
received the same sheet but it listed the  
several other developments, including  
Lakeview, indicating the same  
assessments.

This is the source of our  
information and it was raised in a  
previous deposition with Mr. Dawley  
because we were wondering why the second  
time it was raised the paper, which  
listed the other developments, was cut  
off and we were only given three.

MR. KELLY: What aspect of that  
information implies Marks Paneth & Shron  
was the auditor for those?

MR. HAYWODE: That was the  
testimony of the previous witnesses at  
the previous depositions. That is my  
recollection of the testimony of  
Mr. Dawley and of Mr. Jennings. That is  
my recollection.

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Adam M. Pryce

MR. KELLY: That is definitely not  
the testimony of Mr. Jennings.

That's why I asked you what  
information --

MR. HAYWODE: I say it on  
information and that's my present  
recollection of the source of that  
information.

MR. KELLY: Okay.

MR. HAYWODE: If it is not true, I  
am certainly subject to correction.

It is my present information that in  
every one of these buildings, from  
fourteen to sixteen of them, that Marks  
Paneth & Shron is the auditor and Dalton  
Management is the accountant.

If that's not true, counsel, you  
certainly have the means to correct me  
and I will stand corrected.

MR. KELLY: That's why I asked you  
what information you were relying on.

MR. HAYWODE: And I told you what  
it was.

MR. KELLY: Thank you.

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Adam M. Pryce

Now you can answer the question.

EXAMINATION

BY MR. HAYWODE:

Q. The question was, are you aware that  
that situation pertains or had you heard that  
that situation pertains?

MR. KELLY: Objection.

A. Yes.

Q. Would that impact the questions of  
independence that you referred to in the GAGA5  
rules?

A. Yes.

MR. KELLY: Objection.

A. Yes, but this is also related party  
transaction as well, a number of related party  
transactions as well, and independent rule,  
yes.

Q. If you look, and I am not talking  
about this situation, but let's take any  
situation, if you come to a situation and you  
conduct an audit and you see, for instance,  
figures are presented in the end year  
financial statement done by the auditor which  
show no relationship in terms of adjusted

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Adam M. Pryce

journal entries to the figures in the books of  
the accountants, is there any way that you can  
form any opinion as to what happened to the  
difference in the money between the  
accountant's journal and the money reported in  
the financial statement by the auditor?

Is there any way you can form any  
opinion as to what happened to that money?

MR. KELLY: Objection.

A. This problem suggests that the  
proposed journal entries were not approved by  
management.

Q. By the accountant?

A. By the accountant.

MR. KELLY: Objection.

Q. And with regard to the monies which  
are in that spread between what the  
accountants had and what the auditors issued,  
put the case that that amount of money was  
\$7 million, just theoretically. Could you  
tell what happened to that \$7 million from  
simply looking at the general ledger and then  
looking at the financial statement?

MR. KELLY: Objection.

18 (Pages 66 to 69)

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1 Adam M. Pryce  
 2 A. Yes. Well, the bottom line of any  
 3 financial statement, in this case they were  
 4 partnerships. The bottom line of everything  
 5 goes to the capital account which is where  
 6 distribution takes place. So everything goes  
 7 there.  
 8 So whatever transaction takes place,  
 9 that's the bottom line and that sets up the  
 10 distribution.  
 11 The bottom line of the financial  
 12 statement, in this case the partnership goes  
 13 right to the capital account, and it's that  
 14 bottom line that is used to distribute to the  
 15 partners.  
 16 Q. Sir, what I am trying to understand,  
 17 without anything else, if you looked at a  
 18 situation and the general ledger said  
 19 \$3 million was expended and then you looked at  
 20 a financial statement, and it says \$7 million  
 21 was expended, and you saw no request proposed  
 22 for journal entry adjustments, no proposal  
 23 coming from the auditor, no acceptance coming  
 24 back from the accountant to the auditor, could  
 25 you in any way tell what happened to the

1 Adam M. Pryce  
 2 MR. KELLY: Objection.  
 3 MR. TRAUB: Objection.  
 4 A. The transaction we couldn't form.  
 5 We didn't have the evidence. So we couldn't  
 6 form an opinion.  
 7 Q. You wouldn't know if that money went  
 8 to Mel Haywoode, would you?  
 9 MR. KELLY: Objection.  
 10 A. No.  
 11 Q. You wouldn't know if Mel Haywoode  
 12 stole that money, took that money, invested  
 13 that money with Bear Stearns, you would have  
 14 no way of knowing what happened to that  
 15 money?  
 16 MR. KELLY: Objection.  
 17 Q. Would you?  
 18 MR. KELLY: Objection.  
 19 A. Our aim there, Mel, was to test the  
 20 records, because if there's any matters that  
 21 is questionable we are supposed to bring that  
 22 to the attention.  
 23 This is what GAGAS, GAAP, GAAS asks  
 24 us to do. That's what governs our behavior.  
 25 It is not personal. We are there to

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1 Adam M. Pryce  
 2 monies which were between the two accounts?  
 3 MR. KELLY: Objection.  
 4 A. Well, first thing you need to look  
 5 for supporting evidence, because we are there  
 6 to do a financial audit, to test, based on our  
 7 sample, any matters, to disclose them.  
 8 So as I said, if the bottom line of  
 9 all these transactions go to the capital  
 10 account and that's where the distribution  
 11 takes place, so it has implication for moneys  
 12 as well.  
 13 Q. But you wouldn't know what happened  
 14 to those monies, is that correct?  
 15 MR. KELLY: Objection.  
 16 MR. TRAUB: Objection.  
 17 A. If I have no evidence.  
 18 Q. If you have no evidence, you  
 19 couldn't tell.  
 20 MR. KELLY: Objection.  
 21 A. (No response.)  
 22 Q. So if someone were to tell you that  
 23 money was given to Casey Stengle, would you be  
 24 able to say yes or no the money went to Casey  
 25 Stengle?

1 Adam M. Pryce  
 2 follow those rules.  
 3 Q. So you formed no personal opinions?  
 4 A. We formed no personal opinions about  
 5 Ron or Seavey. We were there as independent  
 6 auditor to follow GAAS. That's what governed  
 7 our behavior, to follow GAAP, which is the  
 8 presentation of financial statements, to  
 9 assure that accrual basis of accounting is  
 10 used, and that's what we report on.  
 11 Q. Mr. Pryce, you wouldn't know what  
 12 happened?  
 13 A. We wouldn't know anything.  
 14 MR. KELLY: Objection.  
 15 A. If we don't have anything, we  
 16 wouldn't know.  
 17 MR. HAYWOODE: No further questions.  
 18 THE WITNESS: We are there to gather  
 19 evidential matter and to test them. We  
 20 don't know if we don't see evidence.  
 21 MR. HAYWOODE: No further  
 22 questions.  
 23 EXAMINATION  
 24 BY MR. KELLY:  
 25 Q. Mr. Pryce, I am going to follow up

19 (Pages 70 to 73)

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1 Adam M. Pryce  
 2 on some of the questions Mr. Haywoode just  
 3 asked you.  
 4 A. Yes.  
 5 Q. Can you identify any statement or  
 6 section of GAGAS, GAAS or GAAP that requires  
 7 a letter to go from the auditor to the  
 8 management regarding adjusting journal  
 9 entries?  
 10 A. Well, it's normal practice. If you  
 11 look on any requirement that the auditors  
 12 are supposed to go, that is one of the  
 13 requirements that this is the practice in the  
 14 accounting profession.  
 15 Q. Are you testifying that it is a  
 16 practice in the accounting profession for a  
 17 letter to be sent from the accountants to  
 18 management for the adjusting proposed journal  
 19 entries?  
 20 A. Let me say this. Let me go back.  
 21 There are two letters that the  
 22 accountants prepare at the end of an audit.  
 23 One is called a management representation  
 24 letter.  
 25 That letter is supposed to be on the

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1 Adam M. Pryce  
 2 client's letterhead, telling the CPA that they  
 3 have kept proper accounting records, they have  
 4 complied with the law, they have done that,  
 5 and that has to be on the client's letterhead,  
 6 similar with this proposed journal entry.  
 7 That has to be on the client's letterhead,  
 8 saying we approved the journal entries.  
 9 Because these are proposed, the auditors can  
 10 only propose. They are not supposed to  
 11 make the journal entries and book them like  
 12 that.  
 13 Q. Who made the journal entries for the  
 14 partnerships?  
 15 A. Who made the journal entries? We  
 16 saw a number of journal entries made by the  
 17 auditor.  
 18 Q. How do you know they were made by  
 19 the auditor?  
 20 A. Well, we saw the auditors on them.  
 21 They have the auditors' letterhead here.  
 22 Q. Were you present at the deposition  
 23 of Mr. Jennings?  
 24 A. Yes.  
 25 Q. Were you present at the deposition of

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1 Adam M. Pryce  
 2 Ron Dawley?  
 3 A. Yes.  
 4 Q. Did you hear testimony at those  
 5 depositions that Ron Dawley was the individual  
 6 who physically made the journal entries?  
 7 MR. HAYWOODE: Objection to leading  
 8 the witness.  
 9 A. No.  
 10 Q. If you were told that Mr. Dawley  
 11 would take the adjusting journal entries from  
 12 a sheet provided by the accountant, sit at a  
 13 computer, make the journal entries he thought  
 14 were appropriate, would that satisfy you that  
 15 management was making the adjusting journal  
 16 entries?  
 17 MR. HAYWOODE: Objection.  
 18 Calls for a hypothetical.  
 19 A. Let me explain --  
 20 MR. HAYWOODE: Calls for testimony  
 21 concerning facts not in evidence.  
 22 A. When you do an audit, there are  
 23 matters that the client did not see and you go  
 24 there, and following GAAP, GAAS, you propose  
 25 entries.

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1 Adam M. Pryce  
 2 If you propose -- these are called  
 3 proposed. Then they have to be approved by  
 4 the client.  
 5 You have no authority. That is  
 6 management's decision.  
 7 You have no authority to book  
 8 something in the client's books without  
 9 getting the approval of the client.  
 10 Q. Do you have any knowledge that  
 11 anyone at Marks Paneth & Shron entered  
 12 anything into the books of any of these  
 13 partnerships?  
 14 A. When we look on the financial  
 15 statement of Marks Paneth & Shron and compare  
 16 to Dalton, there is a wide gap between the  
 17 figures.  
 18 One of the requirements of the  
 19 auditor, when you start an audit, you need to  
 20 audit the previous balance to make sure the  
 21 client books them.  
 22 We don't do that.  
 23 We see, for example, like Seavey  
 24 loan coming from way back in the books and no  
 25 adjustment was made, that 29,000, no

20 (Pages 74 to 77)



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80

1 Adam M. Pryce  
2 adjustment was made in the books and that was  
3 carrying.  
4 We saw it in 2005. So it was coming  
5 back before 2005.  
6 MR. KELLY: Can you read back my  
7 question, please?  
8 (Whereupon, the requested portion  
9 was read back by the reporter.)  
10 A. The only evidence I have is the  
11 financial statement differs from Dalton.  
12 Q. Can you identify any professional  
13 standard that sets the normal requirements or  
14 the normal amount of adjusting journal entries  
15 at five or ten?  
16 A. Well, this is the normal practice.  
17 Q. Can you point to any professional  
18 standard or any professional literature that  
19 sets the normal practice at five or ten?  
20 A. No. For example, the engagement  
21 letter, that is not in GAAP or GAAS, but is  
22 recommended.  
23 Q. Can you identify any recommendation  
24 in any professional literature that sets the  
25 normal adjusting journal entries at five or

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1 Adam M. Pryce  
2 ten?  
3 A. No, no. That's normal practice.  
4 I'm giving example, like letter of engagement  
5 letter, it is not in GAAP but it's  
6 recommended.  
7 Q. When you say it's normal practice,  
8 that's based on your experience?  
9 A. Normal audit practice.  
10 Q. Do you have any experience with the  
11 number of adjusting journal entries in  
12 partnerships involved in HUD-regulated housing  
13 projects?  
14 A. I don't think this has to do with  
15 HUD-regulated. Whether it's HUD-regulated or  
16 not, excessive journal entries, over 21, it's  
17 excessive.  
18 It says that there is internal  
19 control deficiency.  
20 Q. Can you point me to --  
21 A. (Continuing) Which has to be  
22 reported, according to SAS 112.  
23 Q. Can you point me to any professional  
24 standard that sets a standard of the number of  
25 adjusting journal entries as being excessive?

1 Adam M. Pryce  
2 A. No. It's a practice. It's a normal  
3 practice that it's about five or ten journal  
4 entries.  
5 As I said, the engagement letter is  
6 not in GAAS, but it's recommended.  
7 You don't have to see, but it's  
8 normal practice in the profession.  
9 Q. What recommends it?  
10 A. AICPA recommends it, New York State  
11 Society of CPAs recommends it.  
12 AICPA recommend it.  
13 Q. Can you point me to some  
14 recommendation from New York State Society of  
15 CPAs or AICPA, the Society of CPAs?  
16 A. No.  
17 MR. TRAUB: You are talking over  
18 each other.  
19 MR. HAYWOODE: This is not a CPA  
20 exam this morning.  
21 A. This is my field. I've been in it a  
22 long time.  
23 MR. HAYWOODE: All right. So go  
24 ahead.  
25 A. I am defending my work here what I

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1 Adam M. Pryce  
2 do.  
3 MR. HAYWOODE: Go ahead.  
4 MR. KELLY: Can you read my question  
5 back, please?  
6 THE WITNESS: Yes.  
7 MR. HAYWOODE: You were asking for  
8 any regulations. I want you to cite the  
9 rule right now.  
10 (Whereupon, the requested portion  
11 was read back by the reporter.)  
12 A. Recommendation? Have proper working  
13 papers so that one can follow your conclusion,  
14 the opinion. Keep proper working papers,  
15 follow GAAP, follow GAAS. These are all  
16 recommendation.  
17 Q. Wouldn't you agree that the number  
18 of adjusting journal entries is less important  
19 than the actual character of those adjusting  
20 journal entries?  
21 A. Let me say something.  
22 SAS 112 that was issued November 15,  
23 2006, exact date, that applies to audits after  
24 that date, requires that you report control  
25 deficiency, internal control deficiency.

21 (Pages 78 to 81)

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1 Adam M. Pryce  
 2 And if you go to auditing the books,  
 3 there are so many figures and some large  
 4 figures, because we have materiality levels --  
 5 MR. TRAUB: Stop.  
 6 MR. HAYWOODE: Stop. You have an  
 7 accent.  
 8 A. Materiality levels.  
 9 MR. TRAUB: Materiality levels.  
 10 THE WITNESS: I go too fast.  
 11 A. Based on material levels, when we  
 12 examine transactions, accounting transactions,  
 13 based on that, if it's above material levels,  
 14 we test those. We see many of those journal  
 15 entries were not only to convert the books  
 16 from cash basis to accrual basis, but there  
 17 were a number of incorrect entries, that those  
 18 entries are made that Paneth had to make, and  
 19 that's a question of independence.  
 20 Q. Again, you said Paneth had to make.  
 21 Do you mean that Paneth went to the  
 22 books and made those entries themselves?  
 23 MR. HAYWOODE: Objection. That's  
 24 not the witness's testimony.  
 25 A. I cannot determine auditor judgment

83

1 Adam M. Pryce  
 2 because Paneth determines their judgment based  
 3 on their testing. I am not here to explain  
 4 that, but what I see, I can only talk about  
 5 what I test and what I see.  
 6 Q. Maybe my question wasn't clear.  
 7 When you say Paneth made the  
 8 entries --  
 9 A. Proposed journal entries.  
 10 Q. -- do you mean that someone from  
 11 Marks Paneth & Shron went to the offices  
 12 of Dalton and made the entry in Dalton's  
 13 books?  
 14 A. They produced the documentation of  
 15 entries that they made to support their  
 16 financial statements, and these were not  
 17 booked by Dalton.  
 18 Q. So those entries were not put on the  
 19 books of Dalton?  
 20 A. They were not put on by Dalton, so  
 21 that suggests that Dalton did not approve  
 22 them.  
 23 Q. That suggests that Dalton did not  
 24 approve those journal entries or looked at  
 25 them -- let me withdraw that.

84

1 Adam M. Pryce  
 2 So that suggests that Dalton looked  
 3 at those journal entries and made a decision?  
 4 A. Dalton -- I can't talk for that,  
 5 what Dalton makes.  
 6 Q. Okay.  
 7 A. I can't tell you. I don't know what  
 8 was in Dalton's mind. I can't tell you what  
 9 Dalton made.  
 10 If that's what you want me to tell  
 11 you, but I can't.  
 12 Q. Would it be acceptable under GAGAS  
 13 for the client to, even though the auditor  
 14 made the adjusting journal entries, to accept  
 15 responsibility for those journal entries  
 16 without impairing the independence of the  
 17 auditor?  
 18 A. What I said, I said. These entries  
 19 were material. Many of them were material,  
 20 and those, we saw no evidence that they were  
 21 approved by Dalton.  
 22 We saw a few things that Dalton  
 23 booked, but they were not the exact same  
 24 journal entries.  
 25 So I don't know who was the

85

1 Adam M. Pryce  
 2 accountant or who was depending on the auditor  
 3 to do their job. I don't know. We couldn't  
 4 test those.  
 5 And that's why we issued scope  
 6 limitation. We didn't form an opinion because  
 7 of restriction in our testing. We couldn't  
 8 test them. We couldn't form an opinion.  
 9 MR. KELLY: Can the court reporter  
 10 read back my question, please.  
 11 (Whereupon, the requested portion  
 12 was read back by the reporter.)  
 13 A. The client has to approve the  
 14 proposed journal entries.  
 15 Q. Did you ask Mr. Dawley about the  
 16 procedure for the adjusting journal entries?  
 17 A. We did ask him.  
 18 Q. What did he tell you?  
 19 A. He booked in a different way. We  
 20 were not satisfied. He booked part of this,  
 21 part of that, part of that, and we were not  
 22 satisfied how he booked them.  
 23 That's why the books of Dalton,  
 24 again, the financial statements of Shron, they  
 25 didn't reconcile.

22 (Pages 82 to 85)

<p>86</p> <p>1 Adam M. Pryce</p> <p>2 Q. Did you ask anyone at Marks Paneth &amp;</p> <p>3 Shron how the adjusting journal entries were</p> <p>4 dealt with?</p> <p>5 A. No, no. We were not -- the only</p> <p>6 time we contact, as I said, two of my partners</p> <p>7 contact Shron, was when Ron refer.</p> <p>8 There was no reason for us to</p> <p>9 contact an auditor.</p> <p>10 The only case, we didn't contact</p> <p>11 them, because Ron couldn't explain certain</p> <p>12 information.</p> <p>13 MR. HAYWOODE: Indicating Ron</p> <p>14 Dawley?</p> <p>15 THE WITNESS: Ron Dawley, yes.</p> <p>16 A. So he referred us, my two partners</p> <p>17 spoke to Shron.</p> <p>18 Q. In conducting an audit of an entity</p> <p>19 that had been previously audited by a CPA</p> <p>20 firm, isn't it required procedure to contact</p> <p>21 the previous CPA firm?</p> <p>22 A. Only case when you are taking over</p> <p>23 from that auditor. You are the new auditor</p> <p>24 and that auditor, you must contact the</p> <p>25 predecessor.</p>	<p>88</p> <p>1 Adam M. Pryce</p> <p>2 have been.</p> <p>3 Please, go ahead.</p> <p>4 A. We are governed by, in this case,</p> <p>5 GAAS, GAGAS, GAAP. We don't have anything to</p> <p>6 say, other than the case that I talk about</p> <p>7 previous auditor, to contact them, because</p> <p>8 that is how our behavior is governed.</p> <p>9 MR. KELLY: I have no further</p> <p>10 questions.</p> <p>11 I have no further questions.</p> <p>12 MR. TRAUB: I have nothing further.</p> <p>13 MR. KELLY: Are we finished?</p> <p>14 MR. HAYWOODE: I am finished.</p> <p>15 (Time noted: 11:56 a.m.)</p>
<p>87</p> <p>1 Adam M. Pryce</p> <p>2 That's in a case like you are the</p> <p>3 new auditor for the entity. Then you contact</p> <p>4 that person to find out why, if there is</p> <p>5 something you didn't like. That's the only</p> <p>6 case. That is required by GAAS.</p> <p>7 Q. Is it fair to say that if you had</p> <p>8 any questions concerning the decisions made by</p> <p>9 Marks Paneth &amp; Shron in conducting their</p> <p>10 audit, that you could have called up Marks</p> <p>11 Paneth &amp; Shron and asked them?</p> <p>12 A. Well, there's no requirement by</p> <p>13 GAAS.</p> <p>14 Q. Would it have been good practice to</p> <p>15 call up the auditor and ask how they came to</p> <p>16 their decisions?</p> <p>17 A. We don't have anything like that</p> <p>18 that governs that in GAAS.</p> <p>19 Q. Well, would it have been good</p> <p>20 practice, whether or not it's in GAGAS or</p> <p>21 GAAS, to call up the previous auditor and</p> <p>22 say, I don't understand something, can you</p> <p>23 explain it to me?</p> <p>24 MR. HAYWOODE: I object to what</p> <p>25 could have been, because anything could</p>	<p>89</p> <p>1 Adam M. Pryce</p> <p>2</p> <p>3</p> <p>4 ACKNOWLEDGMENT</p> <p>5</p> <p>6</p> <p>7</p> <p>8</p> <p>9 I, ADAM M. PRYCE, hereby certify</p> <p>10 that I have read the transcript of my</p> <p>11 testimony taken under oath on the 22nd</p> <p>12 day of April, 2009, that the transcript</p> <p>13 is a true, complete and correct record of</p> <p>14 what was asked, answered, and said during</p> <p>15 the deposition, and that the answers on</p> <p>16 the record as given by me are true and</p> <p>17 correct.</p> <p>18</p> <p>19</p> <p>20 ADAM M. PRYCE</p> <p>21 Signed and subscribed to before me</p> <p>22 this ____ day of _____, 2009.</p> <p>23</p> <p>24</p> <p>25 Notary Public</p>

23 (Pages 86 to 89)

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STATE OF NEW YORK )

) ss:

COUNTY OF NEW YORK)

I, DONNA A. METZ, R.P.R., a Notary  
Public in and for the County of New York and  
State of New York, do hereby certify:

That I reported the proceedings in  
the within entitled matter, and that the  
within transcript is a true record of such  
proceedings.

I further certify that I am not  
related by blood or marriage to any of the  
parties in this matter and that I am in no way  
interested in the outcome of this matter.

IN WITNESS WHEREOF, I have hereunto  
set my hand this 28th day of April, 2009.

\_\_\_\_\_  
DONNA A. METZ, R.P.R.  
Notary Public

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## I N D E X

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(Mr. Traub) 37

(Mr. Haywoodie) 60

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to Adam Pryce, 32

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## E R R A T A S H E E T

CASE NAME EDWARDS vs. SEAVEY

DEPOSITION DATE April 23, 2009

NAME OF WITNESS: ADAM M. PRYCE

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ADAM M. PRYCE

Subscribed and sworn to before me  
this \_\_\_\_ day of \_\_\_\_\_, 2009.

(Notary Public) (commission expires)

24 (Pages 90 to 92)



A			
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